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SUBJECT: PA MAKES ITS CASE TO DONORS ONE LAST TIME BEFORE
PARIS

¶1. (SBU) Summary. PA Prime Minister Fayyad and Planning Minister Abdallah used meetings of the Local Development Forum (LDF) and Paris Steering Committee on December 12 to push donors to make the upcoming Paris Conference a success. Fayyad was direct about the urgent need for budget support: "Don't get me wrong, I like development projects. But if the PA's not able to function, we won't be around to implement projects." The PA has also circulated the latest version of the Palestinian Reform and Development Plan (PRDP) that will be presented to donors in Paris. End Summary.

PM: "Success in Paris Hinges on Budget Support"

¶2. (SBU) At the last meeting of the LDF before the Paris Donors Conference on the 17th, PM Fayyad told donors on December 12 that the PA had met its targets in preparing for the donors conference and had produced a comprehensive reform and expenditure plan for the first time in its history. He called for pledges in Paris to target assistance where it is needed most: budget support. The GOI had transferred to the PA the last of the funds withheld during the previous government, funds that had provided the PA an additional USD 120 million a month in revenue over the past six months. "Now there is a hole that size in our budget."

¶3. (SBU) Fayyad said the PA had paid its November wage bill (during the first week of December) and would be able to pay December wages in early January. After that, Fayyad said, he could not predict what would happen. "I am not trying to be dramatic. These are the facts." While the PRDP lays out a three-year development plan, Fayyad said, "Our needs are more immediate than the medium term." He noted that the PRDP requests donor support for development projects in all sectors. "But if the PA's not able to function, we won't be around to implement projects."

¶4. (SBU) Fayyad expressed appreciation to both the U.S. and the EC for the commitment to pledge significant amounts in Paris. He noted that the Temporary International Mechanism (TIM) would continue through March, but said, "As we move forward, we want more donors to use the Single Treasury Account (STA) which is a hallmark of our reform effort." Fayyad expressed support for the World Bank's offer to establish a multi-donor trust fund for those donors unable to contribute directly to the STA. The World Bank's monitoring of PA performance, he said, would be "more meaningful" if

done in conjunction with disbursements.

Reforms Already Underway

15. (SBU) Fayyad emphasized that the PA was already moving forward to implement the reforms laid out in the PRDP. He said that he had approved a decision regarding utility payments from municipalities intended to address the problem of 'net lending', which continues to place an extraordinary burden on the PA's recurrent expenditure budget. "We are going to Paris with more than just promises and a plan, but with a track record of actions already taken."

16. (SBU) Calling Paris "a station along the road", Fayyad urged donors to follow-up on pledges made by re-invigorating the existing donor coordination mechanisms. He said the Ad Hoc Liaison Committee (AHLIC) should meet twice a year, including in "early Spring 2008". Similarly, the LDF needs to "get down to business and get involved in aid coordination" with the line ministries.

PRDP Ready for Paris

17. (SBU) Following the LDF, Planning Minister Abdallah reiterated the PM's points on the urgent need for budget support to the Paris Steering Committee. He also described to the group the changes in the latest version of PRDP, which will be presented by Fayyad in Paris. Abdallah described the process of compiling the sector-specific programs and budget figures (in Annex 4) as a "long process of prioritization" with the various PA line ministries. He emphasized that the PA had made difficult choices in an effort to limit the request to donors for project support to only the "bare

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minimum" necessary for the PA's 2008-2010 program.

18. (U) The final PRDP document is available on ConGen Jerusalem's unclassified intelink website at:
<http://www.intelink.gov/communities/state/palecon>
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